PROFILE: Financial Services in Winnipeg

FEATURE: Household Expenses: Spending More in the West

OPINION: A Rough Patch for Alberta

CANADAWEST FOUNDATION

Our Vision
A dynamic and prosperous West in a strong Canada.

Our Mission
A leading source of strategic insight, conducting and communicating non-partisan economic and public policy research of importance to the four western provinces and all Canadians.

CURRENTS Western Canada's Monthly Economic Bulletin

Vol. 2009, No. 7 a CanadaWest Foundation publication

Monthly Economic Highlights

National employment levels remained unchanged in June. In the West, job levels edged down in each province except Saskatchewan, where 1,600 jobs were created. Saskatchewan's unemployment rate declined modestly to 4.6% (the lowest nationally), while other western provinces saw their rate go up, especially BC, where it jumped to 8.5%, the highest since 2003.

Inflation in Canada dropped to 0.1% in May, the lowest in almost 15 years, mainly because gasoline and other energy prices were low compared to the high levels reached in May 2008. In Alberta, consumer prices dropped by 0.7% for a second month in a row. The last time Alberta registered negative inflation prior to this was at the end of 2001.

Monthly Economic Statistics	BC	AB	SK	MB	Canada	Reference Month
Labour Markets						
Employment (000s)	2,255	1,990	525	606	16,825	June
% change	0.2	0.2	0.3	-0.3	0.0	
Unemployment rate (%)	8.1	6.8	4.6	5.2	8.6	June
change in percentage points	0.5	0.2	-0.3	0.3	0.2	
Participation rate (%)	66.3	74.5	70.6	69.3	67.5	June
Average weekly earnings ($)	790.13	946.66	795.35	764.32	820.53	April
% change	-1.0	-1.8	-0.5	-0.5	0.0	
Inflation						
Consumer Price Index (% change)*	0.1	-0.7	0.7	0.8	0.1	May
Economic Activity						
Housing starts (000s)**	11.2	12.4	4.9	3.3	128.4	May
% change	-4.3	0.0	69.0	6.5	9.2	
Retail trade ($M)	4,350	4,597	1,143	1,195	33,529	April
% change	1.3	0.6	-1.4	-0.4	-0.8	
Wholesale trade ($M)	3,934	5,080	1,358	1,099	40,337	April
% change	1.2	-1.0	3.2	-6.0	-0.6	
Manufacturing sales ($M)	2,681	4,539	896	1,235	41,010	April
% change	-2.1	-2.6	0.2	-4.5	-0.1	

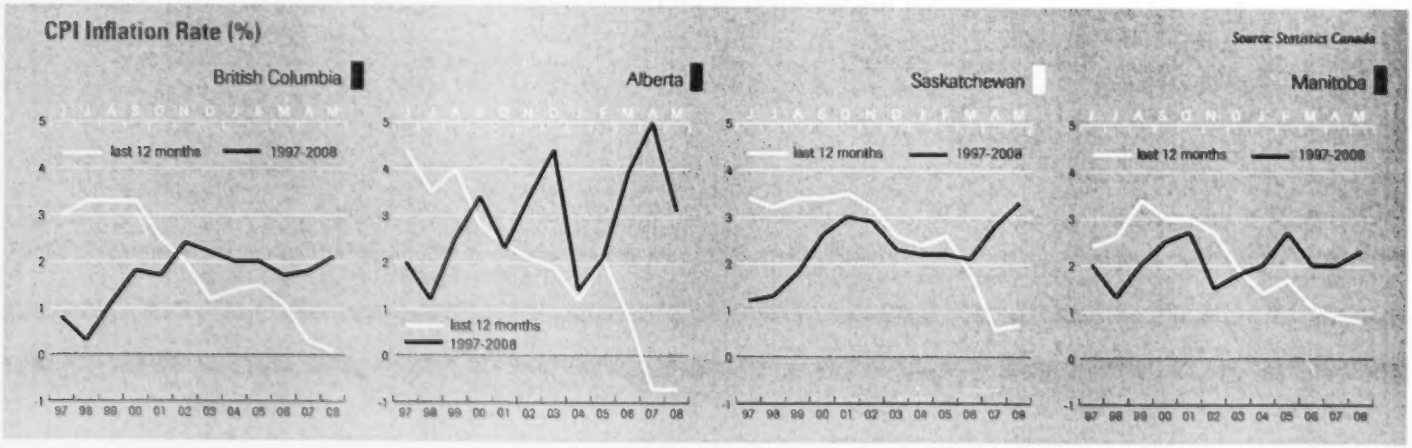
** Compared to same month in the previous year. ** Annual rate (monthly figures are multiplied by 12 to reflect annual levels)*
Unless otherwise noted, data are seasonally adjusted and percent change is from previous period. Source: Statistics Canada, Canada Mortgage and Housing Corp.

While housing starts jumped by 69% in Saskatchewan in May, preliminary data for Regina and Saskatoon show that so far in 2009 start levels remains behind the historical levels reached in 2008 and 2007.

Retail sales were up in April in both BC (+1.3%) and Alberta (+0.6%), after declining in five of the last seven months in each province. Wholesale sales were down significantly in Manitoba (-6.0%) and Saskatchewan (-3.2%), the latter decline coinciding with lower exports of fertilizers. Still in April, manufacturing sales were lower all over the West except in Saskatchewan.

CURRENTS is made possible with the financial support of:

CANADIAN WESTERN BANK
Think Western


CPI Inflation Rate (%)
Source: Statistics Canada
British Columbia
Alberta
Saskatchewan
Manitoba
last 12 months
1997-2008
J J A S O N D J F M A M
97 98 99 00 01 02 03 04 05 06 07 08

CURRENTS
Western Canada's
Monthly Economic Bulletin

Did you know?

- Tipis are assembled in an asymmetric fashion. One area has an almost vertical wall, which makes the tent more resistant to wind and provides more headroom.
- Manitoba is North America's largest producer of inter-city and urban buses.
- Bow Island (near Medicine Hat) was the first town in Alberta with natural gas lighting and heating.
- Stretching for about 100 kilometres, the Athabasca Sand Dunes, along the south shore of Lake Athabasca, are the largest active sand surface in Canada.
- Resource industries employ only 9% of BC's workforce.
- Canada ranks 7th in the world as to the number of movies seen in a theatre per person.

CanadaWest
FOUNDATION

MONTHLY FEATURE

HOUSEHOLD EXPENSES:
Spending More in the West

While no two families are perfectly alike, one would expect households across the West to have reasonably similar spending patterns– after all, how different can the average family in Victoria be from its counterpart in Winnipeg? The answer, as illustrated by Statistics Canada's Survey of Household Spending (SHS), is "quite a bit."

In 2007 (the most recent period for which data are available), spending by the average Canadian household increased by 3.3% from the previous year. As a comparison, the inflation rate was 2.2%. In the West, increases were very high in Manitoba (+6.9%) and Saskatchewan (+7.7%, the highest among all provinces) but partly offset by inflation of 2.0% and 2.8% respectively. In contrast, moderate spending increases in Alberta (+0.8%) and BC (+1.5%) were cancelled out by inflation (especially in Alberta, where it reached 5.0%). However, the actual levels of spending were higher in Alberta and BC than the Canadian average of $69,946, whereas they were lower in Manitoba and Saskatchewan.

Within the West, the average amounts being spent in terms of dollars are significantly different from one province to another. The average family in Alberta spent $85,912 in 2007, a third more than the $63,944 of neighbouring Saskatchewan. This difference is also present in food expenses, a revenue-neutral category (there's only so much food you can eat even if your income is very high). This means that price variances play as much a role as personal shopping patterns.

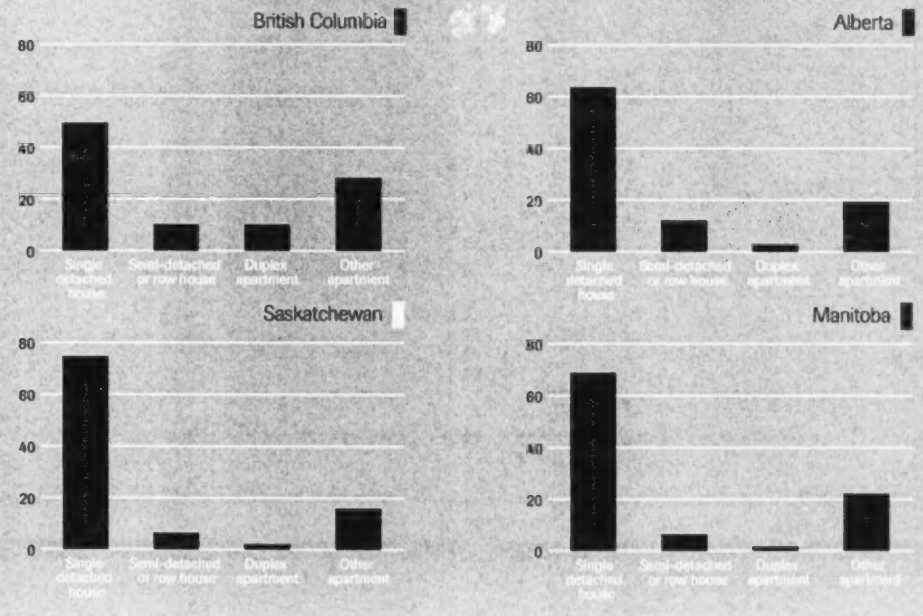
BEHIND THE NUMBERS

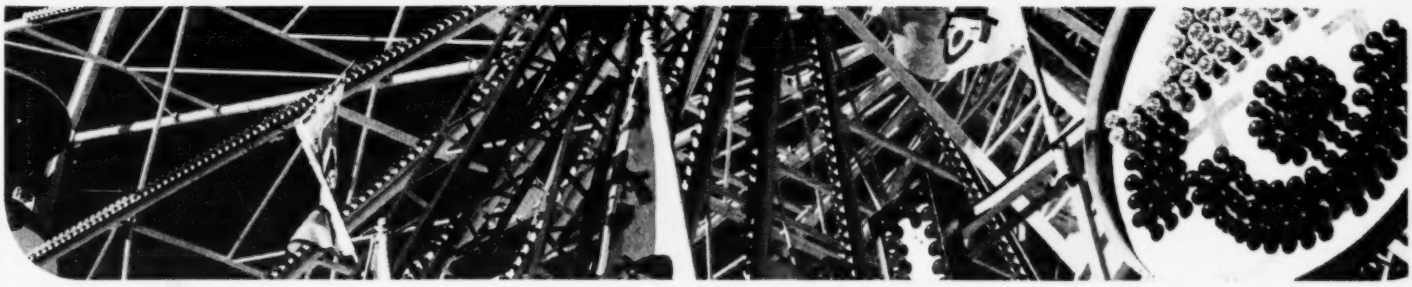
Housing starts are often in the news as an indicator of economic activity, but what of the actual housing stock? The 2006 Census shows that, within the West, Saskatchewanians are the kings of single detached houses, which represent 74.3% of occupied dwellings in the province. British Columbians are the highest users of apartments, the majority of which are in buildings less than five-storeys high.

Row houses are particularly popular in BC and Alberta. As to duplex apartments, they appear to be a BC trait, at 10.0% of dwellings, nearly twice the national rate.

Type of Occupied Private Dwelling (% of total)

Source: Statistics Canada, 2006 Census





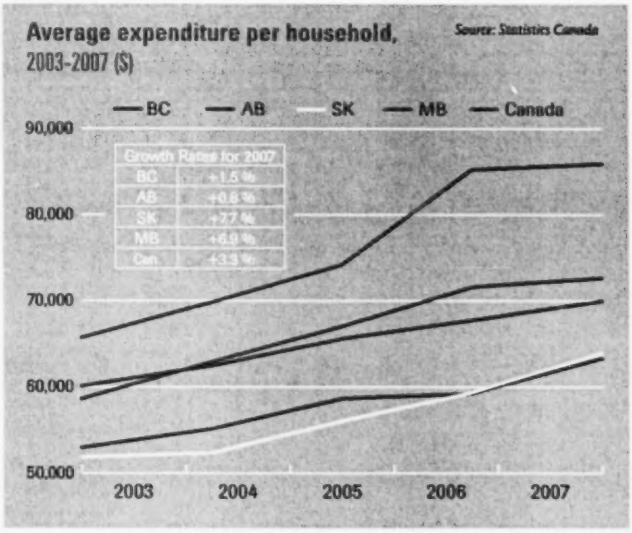
Transportation is one area where western families' spending stands out. In all four provinces, spending on this item is above the national average both in terms of dollar amounts and as a share of the average family's total expenses. The West's vast geography certainly plays a role here.

The SHS also asks families whether they own some items, no matter which year they were purchased. This provides a useful tool for assessing how fast Canadians adopt new technologies. For instance, cell phone ownership per household jumped from 54% in 2003 to 71% in 2007. At this pace, cell phones should become as common as TV sets (99%) around 2015. Cell phone growth was spectacular in Saskatchewan over the last few years, but Alberta remains the market with the highest level of penetration: 83% of Alberta households own one.

As to internet connection from home, another area of rapid growth, Alberta (78%) and BC (79%) are significantly ahead of the national average of 73%. The vast majority of those connections are high-speed.

Over the next few years, SHS data will allow us to examine the recession we are currently going through. In a typical household, categories such as food and shelter are essential and therefore stable. As to other categories, as a rule of thumb, one would expect luxury items such as travel, jewelry and electronic gadgets to be the first things to get cut in difficult circumstances.

How will Canadian households adjust their expenses as times get tougher? Will the West conform to a national pattern in that regard? The data, once it becomes available, could prove to contain a few surprises.



Industry Spotlight: Financial Services in Winnipeg

As the source of nearly one-fifth of Manitoba's gross domestic product, Manitoba's financial services industry made Winnipeg one of the largest financial centres in Canada. The city's financial services sector generates about $5 billion worth of economic activity each year in activities such as banking, vehicle and equipment leasing, and wealth management (insurance, securities, mutual funds, etc.).

Winnipeg's financial services sector employs approximately 27,000 people in about 2,500 business establishments. Some of the country's most prominent investment firms and insurance companies call Winnipeg home. Great West Life Assurance Co., the largest insurance company in the country, has its headquarters located in Winnipeg and about 2,800 of its 12,000 employees are stationed in Manitoba. IGM Financial Inc., Canada's largest manager and distributor of mutual funds and other managed asset products, has located its headquarters in Winnipeg, and so has National Leasing Group Inc., the largest independent Canadian leasing company.

Other key players in Winnipeg's financial services sector include the Wawanesa Insurance, Credit Union Central of Manitoba, Federated Insurance, Wellington West and the Richardson Financial Group.

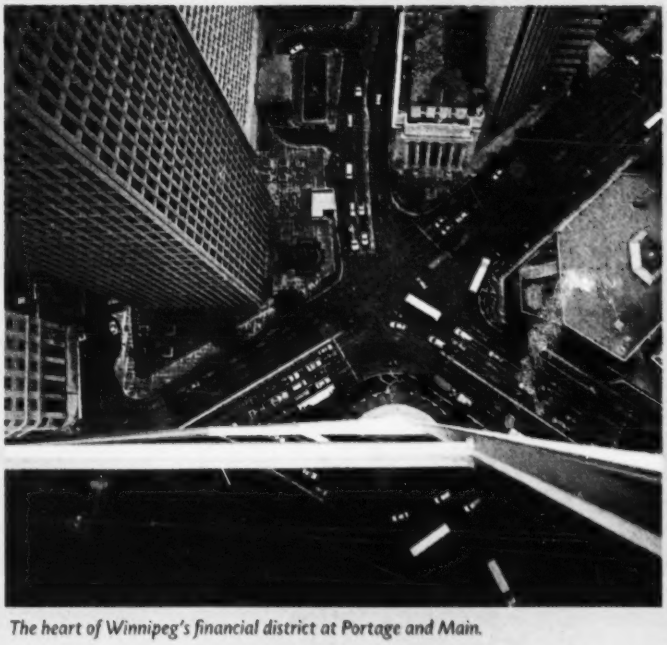


photo credit: Dan Harper Photography

The heart of Winnipeg's financial district at Portage and Main.

CURRENTS
Western Canada's
Monthly Economic Bulletin

CanadaWest
FOUNDATION

Canada West Foundation Head Office:
Suite 900, 1202 Centre Street SE
Calgary, AB , T2G 5A5
ph: (403) 264-9535 fax: (403) 269-4776
toll-free: 1-888-825-5293
email: cwf@cwf.ca
website: www.cwf.ca

British Columbia Office:
Suite 810, 1050 W. Pender Street
Vancouver, BC V6E 3S7
ph: (604) 646-4625
email: kunin@cwf.ca

Saskatchewan Office:
604 Braeside View
Saskatoon ,SK S7V 1A6
Phone: (306) 373-8408
email: vicq@cwf.ca

Manitoba Office:
Suite 400, 161 Portage Avenue East
Winnipeg, MB R3B 0Y4
ph: (204) 947-3958
email: carson@cwf.ca

CURRENTS is published monthly by the Canada West Foundation. The information contained in this report has been drawn from sources believed to be reliable, but the accuracy and completeness of the information is not guaranteed, nor in providing it does the Canada West Foundation assume any responsibility or liability. Notwithstanding the fact that effort has been made to ensure the accuracy of the information and forecasts contained herein, this report's content should not be construed as financial advice.

CANADIAN WESTERN BANK
Think Western®

CURRENTS is sponsored by Canadian Western Bank. Canadian Western Bank is the largest Schedule I chartered bank with headquarters and principal operations in western Canada. Visit www.cwbank.com.

A Rough Patch for Alberta

by Jacques Marcil, Senior Economist

The Calgary Stampede had an unusual tone this year. Parades, free breakfasts and other festive events couldn't completely distract Calgarians, nor most of their fellow Albertans, from the concerns raised by the unusual economic slowdown currently afflicting their province.

As images go, the young, care-free, party-bound cowboy was gone from many people's mind, replaced by a more weathered and resolved one, peering thoughtfully into the distant horizon, looking for positive economic signs.

Unfortunately, so far in 2009, economic indicators such as employment, retail sales and investment are consistent with a scenario that will see Alberta as one of the provinces that will be hit the hardest by the global recession. This will be a rough patch to ride out.

Alberta's current downturn is very different from previous ones. In many past instances, disruption in the oil and gas sector caused major downturns in Alberta while things were going pretty much as usual elsewhere in Canada, North America and the world. In other times, it was the outside jurisdictions who went through dire straits, with energy resources acting as a buffer for Alberta's economy, allowing it to keep growing.

This time, Alberta took double and simultaneous hits on the chin, from plunging energy prices on the right and a global economic slowdown on the left.

Starting in July 2008, when oil and gas prices began a sustained decline just as US economic exhaustion started to be felt around the world, Alberta's economy went south. The downwards spin carried into 2009. Within six months, the unemployment rate nearly doubled, international exports were almost cut in half, and the provincial government announced it would be facing its first deficit in a decade.

It is no surprise that these hard times have come as a bit of a shock for Albertans. Long used to being ahead of the rest of the country in terms of growth, the province is now near the end of the pack.

From 2003 to 2006, Alberta's economy was in full boom, growing twice as fast as the rest of the country. Things slowed down a bit in 2007, but not enough to cause worries, with the province performing just above the Canadian average.

Then in 2008 the economy declined for the first time since 1986 – in other words, nearly a generation. In addition, the provincial government lost its deficit-free and debt-free status, a unique characteristic Albertans had worked hard to acquire.

Despite this, some positive elements point to Alberta's path out of this difficult episode. First of all, the fantastic reserves of the oilsands are not going anywhere, and now that oil prices are back near $70, investment announcements are becoming more frequent. These projects, however, will take a while to generate actual jobs. In addition, their environmental dimensions will be tricky, making the next cycle of oilsands development quite different from the previous one.

Also, it is easy to forget that despite its recent return to the use of red ink, the province's financial situation remains the best across the country. The Stelmach government still has plenty of time to leverage a strong electoral mandate, turning short-term answers to pressing problems into lasting policy.

But in the end, oil and gas demand from the US will rule the day. If the expected return to growth in the US in 2010 materializes, and if the new US energy policy gives Alberta a chance to benefit from this recovery, Alberta will gain back some of the lost ground as early as next year.

So while things are not so great in Canada's energy hotbed these days, they're not so bad either. Energy prices and the global economy combined to slow down Alberta for now, but they could soon help lift it out of its doldrums and make it the Canadian growth champion again, putting the smile back on that cowboy's face. ■